Wockhardt Ltd — Oct 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat **One-line:** Wockhardt is successfully transitioning from a distressed generic manufacturer to a high-margin NCE-driven innovator, evidenced by the significant de-risking of its "Zaynich" antibiotic and a radical balance sheet cleanup.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	EBITDA grew 213% YoY in Q1FY25; margins expanded 800bps.	□
Earnings Quality	High (Core driven)	Driven by biosimilar growth (30% in EM) and US restructuring.	□
Guidance Confidence	Strong	Zaynich Phase III >90% recruited; Miqnaf NDA filed.	□
Management Credibility	Improving	Delivered □499 Cr debt reduction; executed US pivot.	□
Business Quality Signal	Improving	Shift toward patented NCEs and vertically integrated biologics.	□
Key Q&A Exchange	Not applicable	PPT_ONLY: No concall conducted.	□
The Street's Primary Anxiety	Clinical failure of Zaynich	Mgmt highlighted 100% success in 38 compassionate cases.	□
Capital Cycle Stage	Harvesting (Generics) / Investment (NCE)	Monetizing existing portfolio to fund Phase III trials.	□
Margin / Return Ratio Trajectory	Improving	Q1FY25 EBITDA margin at 13% vs 5% YoY.	□
Pricing Power	Expanding	QIDP status and "destination therapy" positioning for NCEs.	□
FCF Conversion & Quality	Strong	Net Debt/Equity reduced to 0.13x.	□
Competitive Moat Signals	Widening	3,265 patents filed; unique "β-lactam enhancer" platform.	□
Balance Sheet Strength	Strong	External long-term debt significantly reduced.	□
Working Capital Efficiency	Stable	Asset-light shift in US (third-party manufacturing).	□
Mgmt Guidance Track Record	Reliable	Clinical timelines for Zaynich and Miqnaf remain on track.	□
Key Vulnerability / Red Flag	Binary clinical outcome risk	Thesis hinges on Global Phase III Zaynich results.	□
Management Tone	Confident	Emphasizing "life-saving" potential and scientific MoA.	□

Key Takeaways (Positives & Negatives): * **Positives:** Zaynich (WCK 5222) has achieved >90% recruitment in Global Phase III, significantly nearing a primary valuation catalyst. The 100% success rate in 38 "compassionate use" cases (including US FDA-approved expanded access) provides high-conviction clinical proof-of-concept. Financial health has transformed, with Net Debt/Equity falling to 0.13x and Q1FY25 EBITDA margins doubling YoY to 13%. * **Negatives:** The business remains in a high-stakes transition period where R&D heavy lifting continues. While the US restructuring (down to 5% of revenue) reduces regulatory drag, it also narrows the immediate revenue base, making the success of Indian/EM launches of Miqnaf and Zaynich critical for near-term cash flow. * **Forward Watchpoint:** Completion of the remaining 10% recruitment for Zaynich and the subsequent data readout will be the single most important event for the stock's re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Income (□ Cr)	760 (est. via %)*	↑ 14%	First entry	↑	Growth driven by International business (77% of rev).
India Rev (□Cr)	281 (est.)	First entry	First entry	→	37% of FY24 revenue; focus on Biosimilars/ NCE.
UK Rev (□Cr)	175 (est.)	First entry	First entry	→	23% of FY24 revenue; includes Vaccine CMO.
EM Rev (□Cr)	167 (est.)	First entry	First entry	↑	30% growth in Biosimilars (Glargine/ Insulin).
US Rev (□Cr)	38 (est.)	First entry	First entry	↓	Share down to 5% following facility shutdown.
EBITDA (□Cr)	99 (est.)**	↑ 213%	First entry	↑	Massive margin expansion due to better mix.
EBITDA Margin %	13%	↑ 800 bps	First entry	↑	FY24 margin was 9%; Q1 shows accelerating efficiency.
Net Debt (□Cr)	476	↓ 51% (YoY)	First entry	↑	Reduced from □975 Cr (Mar-23) to □476 Cr (Mar-24).
Net Debt/Equity (x)	0.13x	↓ 0.14	First entry	↑	Dramatic deleveraging (was 0.27x in Mar-23).
R&D Pipeline	6 NCEs	→	First entry	→	5 programs with QIDP status from US FDA.
Zaynich Recruitment	>90%	↑	First entry	↑	Global Phase III nearing completion.
Patents Granted	842	↑	First entry	→	Cumulative filings at 3,265.

**Calculated based on 14% growth over Q1FY24 baseline implied by FY24 total of 2,879 Cr. **Calculated based on 13% margin stated for Q1FY25.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (FY24 Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
India	1,065	Not in doc	High	→	Above Avg	Focus on Branded/NCE launch (Miqnaf filed).
UK	662	Not in doc	Stable	→	In-line	Strength in Hospital/Retail & Vaccine CMO.
Emerging Mkts	633	↑ 30% (Bio)	Improving	↑	Above Avg	High growth in Insulin Analogs across 30+ mkts.
Ireland / EU	374	Not in doc	Stable	→	In-line	Maintaining presence in niche generics.
USA	144	↓	Low	↓	Below Avg	Pivot to third-party manufacturing/ R&D defocus.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
NCE	Zaynich Launch	Global destination therapy for MDR/XDR infections.	Complete Phase III (10% left).	**Delivered:** >90% recruitment achieved.	Clinical data risk.
NCE	Miqnaf (India)	Ultra-short 3-day oral therapy for CABP/RTI.	Commercialize post-NDA approval.	**Delivered:** NDA filed in India.	CDSCO approval timeline.
Biologics	EM Growth	Penetrate 30+ markets with Insulin Glargine/ Analogs.	Maintain 30% volume growth.	**Delivered:** 30% growth in FY24 EM Biosimilars.	Pricing pressure in EM.
Biologics	Developed Mkts	Foray into US/EU with Insulin Glargine.	Execute GMP batches for clinicals.	**On-track:** GMP batches for Glargine started.	High regulatory barrier.
Balance	Debt Reduction	Maintain "Stronger business performance" posture.	Keep ND/E below 0.20x.	**Delivered:** □499 Cr reduction in FY24.	Funding R&D Opex.
Strategy	US Turnaround	Shift to asset-light third-party model.	Minimize US EBITDA drag.	**Delivered:** Facility shutdown completed.	Rev loss vs margin gain.

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
Zaynich Status	Not available	>90% Recruitment Complete	↑
Debt Profile	Not available	Net Debt/Equity 0.13x	↑
EBITDA Margin	Not available	13% (Q1FY25)	↑
Miqnaf Status	Not available	NDA Filed in India	↑
US Strategy	Not available	Full Shift to 3rd Party	→
Regulatory	Not available	CLSI Breakpoint (64 µg/mL) Granted	↑

STOP HERE.